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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

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(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: January 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 0-16399

RAPITECH SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

New York	13-3173515
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
400 Rella Boulevard Suffern, New York	10901
(Address of principal executive offices)	(Zip Code)

914-368-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 duing the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

As of January 31, 1992, the number of shares outstanding of the Registrant's Preferred Stock, $.01 par value, was 4,342,009, Common Stock, $.01 par value, was 6,749,862 and Class A Common Stock, $.001 par value, was 205,770.

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RAPITECH SYSTEMS, INC.

Form 10-Q

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RAPITECH SYSTEMS, INC.

BALANCE SHEETS

	January 31, 1992 (Unaudited)	July 31, 1991
ASSETS		
CURRENT ASSETS:		
Cash & cash equivalents	$ 226,801	$ 203,733
Accounts receivable	29,884	-
Prepaid expenses	8,849	10,706
Total current assets	265,534	214,439
FIXED ASSETS:		
Machinery and equipment	267,368	253,702
Furniture and fixtures	15,024	15,024
	282,392	268,726
Less: Accumulated depreciation and amortization	251,698	233,467
	30,694	35,259
OTHER ASSETS:		
Deposits	27,281	27,281
TOTAL ASSETS	$ 323,509	$ 276,979

The accompanying notes to condensed financial statements are an integral part of these statements.

RAPITECH SYSTEMS, INC.

BALANCE SHEETS

	January 31, 1992	July 31, 1991
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Short term borrowings	$ 100,000	$ 107,509
Accounts payable and accrued expenses	317,720	221,403
Deferred income	25,000	-
Total current liabilities	442,720	328,912
OTHER LIABILITIES		
10% convertible debentures	1,035,000	1,035,000
Deferred rent	134,075	105,917
Total liabilities	1,611,795	1,469,829
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' INVESTMENT		
Preferred stock, $.01 par value, 5,000,000 shares authorized, 4,342,009 and -0- shares issued and outstanding in January, 1992 and July, 1991 respectively	43,420	-
Common stock, $.01 par value, 30,000,000 shares authorized, 6,749,862 and 6,507,872 shares issued and outstanding in January, 1992 and July, 1991 respectively	67,498	65,079
Class A common stock, $.001 par value, 500,000 shares authorized, 205,770 shares issued and outstanding in 1992 and 1991	206	206
Capital in excess of par value	7,270,531	6,619,700
Accumulated deficit	(8,669,941)	(7,877,835)
Total shareholders' investment	(1,288,286)	(1,192,850)
TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	$ 323,509	$ 276,979

The accompanying notes to condensed financial statements are an integral part of these statements.

RAPITECH SYSTEMS, INC.

STATEMENTS OF OPERATIONS

(UNAUDITED)

	Six Months Ended January 31, 1992	Six Months Ended January 31, 1991
REVENUES	$ 132,257	$ 139,833
OPERATING EXPENSES:		
Selling, general and administrative	384,367	551,612
Customer service and support	484,532	297,808
Amortization of product development costs	-	50,940
Total operating expenses	868,899	900,360
Loss from operations	(736,642)	(760,527)
OTHER INCOME	4,799	154
INTEREST EXPENSE	(60,264)	(91,682)
Net loss	$(792,107)	$(852,055)
NET LOSS PER COMMON SHARE	$(.11)	$(.16)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	6,955,614	5,368,004

The accompanying notes to condensed financial statements are an integral part of these statements.

RAPITECH SYSTEMS, INC.

STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
REVENUES	$ 7,257	$ 96,500
OPERATING EXPENSES:		
Selling, general and administrative	188,280	324,315
Customer service and support	218,755	154,793
Amortization of product development costs	-	25,470
Total operating expenses	407,035	504,578
Loss from operations	(399,778)	(408,078)
OTHER INCOME	3,850	-
INTEREST EXPENSE	(30,013)	(86,335)
Net loss	$(425,941)	$(494,413)
NET LOSS PER COMMON SHARE	$(.06)	$(.09)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	6,955,615	5,544,893

The accompanying notes to condensed financial statements are an integral part of these statements.

RAPITECH SYSTEMS, INC.

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended January 31, 1992	Six Months Ended January 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(792,107)	$(852,055)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	18,232	78,108
Issuance of shares for services rendered and interest	57,861	-
Increase (decrease) in receivables	(29,884)	140,403
(Increase) decrease in prepaid expenses	1,857	(19,485)
Increase in accounts payable and accrued expenses	92,222	67,710
Increase in deferred income	25,000	-
Increase in other liabilities	4,095	3,003
Total adjustments	169,383	269,739
Net cash provided (used) by operating activities	(622,724)	(582,316)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets, net	(13,665)	-
Other	-	339
Net cash provided by investing activities	(13,665)	339

The accompanying notes to condensed financial statements are an integral part of these statements.

	Six Months Ended January 31, 1992	January 31, 1991
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in debt and capital leases	20,649	219,408
Proceeds from the sale and conversion of stock, stock warrants and notes payable	638,809	306,250
Net cash provided from financing activities	659,458	525,658
Net increase (decrease) in cash and cash equivalents	23,069	(56,319)
CASH AND CASH EQUIVALENTS, beginning of period	203,733	136,137
CASH AND CASH EQUIVALENTS, end of period	$ 226,802	$ 79,818
SUPPLEMENTAL DISCLOSURE: Interest Paid	$ 8,514	$ 11,202

The accompanying notes to condensed financial statements are an integral part of these statements.

RAPITECH SYSTEMS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

(1) General:

The accounting policies followed during the interim periods reported on are in conformity with generally accepted accounting principles and are consistent with those applied for annual periods, as described in the Company's financial statements, as of July 31, 1991 and for the year then ended and notes thereto.

(2) Basis of Presentation:

The condensed financial statements included herein have been prepared by Rapitech Systems, Incorporated (the "Company" or "RSI"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. While certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, the Company believes that the disclosures made herein are adequate to make the information presented not misleading. It is recommended that these financial statements be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual report on Form 10K, for the fiscal year ended July 31, 1991.

In the opinion of the Company, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of January 31, 1992, and the results of its operations and its cash flows for the six and three month periods ended January 31, 1992 and 1991, have been included.

The results of operations for the six month period ended January 31, 1992 are not necessarily indicative of the results to be expected for the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Company had a working capital deficit of $177,186 as at January 31, 1992, as compared to a working capital deficit of $114,473 as at July 31, 1991. The decrease in working capital is a result, in part, of the Company's inability to generate increased revenues during the current quarter to offset operating expenses, as discussed below.

The Company's revenues continue to be limited and in an effort to preserve existing working capital, the Company agreed to issue 168,300 shares of its Common Stock to holders of its outstanding 10% Convertible Subordinated Debentures in lieu of the aggregate interest payment of $52,175.22 due on February 1, 1992. Such shares were valued at the then current market value of the Company's Common Stock which was $.31 per share.

In order to fund its cash requirements in the near term, the Company may be required to obtain additional equity and/or debt financing. No assurance can be given that the Company will be able to procure additional financing on terms deemed favorable by the Company, if at all. In the event the Company is unable to procure additional financing and, depending upon its then current level of sales, the Company may be forced to curtail its then current level of operations.

Except as described herein, the Company has no material commitment for expenditures of capital resources.

Results of Operations

Six Months Ended January 31, 1992, as compared to
Six Months Ended January 31, 1991

Revenues for the six months ended January 31, 1992, decreased $7,576 to $132,257, as compared to $139,833 for the corresponding period of the prior year. For the six months ended January 31, 1992, total operating expenses decreased $31,461 (or approximately 3%) to $868,899 from $900,360. The reduction in total operating expenses was a result, in part, of the Company not incurring amortization of product development costs in the 1992 period, as compared to the prior year, a decrease in selling, general and administrative expenses of $167,245 (or approximately 30%), as offset by an increase in customer service and support expenses of $186,724 (or approximately 63%).

As a consequence of the reduction in total operating expenses, the Company's net loss for the six months ended January 31, 1992 was $792,107 ($.11 per share), as compared to $852,055 ($.16 per share) for the corresponding period of the prior year.

Three Months Ended January 31, 1992, as compared to Three Months Ended January 31, 1991

Revenues for the three months ended January 31, 1992, decreased $89,243 to $7,257, as compared to $96,500 for the corresponding period of the prior year. The decrease in revenues was due, in part, to the receipt of revenues by the Company during the three months ending January 31, 1991 in accordance with the agreement entered into by the Company with International Business Machines Corporation ("IBM"). For the three months ended January 31, 1992, total operating expenses decreased $97,543 (or approximately 19%) to $407,035 from $504,578. The reduction in total operating expenses was a result, in part, of the Company not incurring amortization of product development costs in the 1992 period, as compared to the prior year, a decrease in selling, general and administrative expenses of $136,035 (or approximately 42%), as offset by an increase in customer service and support of $63,962 (or approximately 41%).

As a consequence of the reduction in total operating expenses, the Company's net loss for the three months ended January 31, 1992 was $425,941 ($.06) per share as compared to $494,413 ($.09 per share) for the corresponding period of the prior year.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of Shareholders of Rapitech Systems, Inc. was held on December 19, 1991. At the Meeting, the following Directors were elected for the term of one year and until their successors are duly elected and qualified: Samuel Sutton, Arthur Rosenthal, Gilbert Klaperman, Leonard W. Jaffe, Morton A. Cohen and E. Donald Shapiro. Arthur Andersen & Co. was also ratified as the independent public accountants of the Company for the fiscal year ended July 31, 1992. 7,346,211 shares were voted for such ratification, 500 against and 3,700 abstained. In addition, shareholders approved at the Meeting an increase in the number of shares underlying the Company's 1986 Stock Option Plan to 1,100,000 shares; an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock to 30,000,000 shares; and to ratify the issuance of 593,200 Warrants to certain persons, including Directors, Officers and employees of the Company. 7,266,233 shares were voted in favor of increasing the number of shares underlying the Company's 1986 Stock Option Plan, 62,334 against and 21,844 abstained. 7,268,233 shares were voted in favor of the amendment to the Company's Certificate of Incorporation, 45,792 against and 36,386 abstained. In addition, 7,265,233 shares were voted in favor of the ratification of the issuance of the Warrants, 48,792 against and 36,386 abstained.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits. None

(b) Reports on Form 8-K. No reports on Form 8-K were filed by the Registrant during the quarter ended January 31, 1992.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RAPITECH SYSTEMS, INCORPORATED

(Registrant)

March 12, 1991
(Date)

Arthur Rosenthal, President